



BOARD AUDIT COMMITTEE MEETING

MINUTES

**REGULAR MEETING SESSION
WEDNESDAY, MARCH 20, 2024
2:00 PM**

(Paragraph numbers coincide with agenda item numbers)

1. CALL TO ORDER:

A regular meeting of the Santa Clara Valley Water District (Valley Water) Board Audit Committee (Committee) was called to order in the Valley Water Headquarters Building Boardroom at 5700 Almaden Expressway, San Jose, California, and by Zoom teleconference, at 2:00 p.m.

1.1 Roll Call.

Committee members in attendance were District 3 Director Richard P. Santos and District 2 Director Barbara F. Keegan, Chairperson presiding, constituting a quorum of the Committee.

Vice Chairperson Jim Beall, (District 4) arrived as noted below.

Staff members in attendance were: Emmanuel Aryee, Sarah Berning, Todd Bridgen, Kevin Brown, Isela Chaparro, Theresa Chinte, Jessica Collins, Enrique De Anda, Meenakshi Ganjoo, Candice Kwok-Smith, Cecil Lawson, Jennifer Martin, Patrice McElroy, Anthony Mendiola, Nicole Merritt, Carmen Narayanan, Tony Ndah, Carlos Orellana, Luz Penilla, Mario Rivas, Don Rocha, Diahann Soleno, Manpreet Sra, Charlene Sun, Darin Taylor, Kristen Yasukawa, and Tina Yoke.

Public in attendance were: Valley Water Director Rebecca Eisenberg (District 7), Tammy Lohr and Colleen Rozillis (Moss Adams), and George Skiles (Sjoberg Evashenk Consulting).

2. TIME OPEN FOR PUBLIC COMMENT ON ANY ITEM NOT ON THE AGENDA:

Chairperson Keegan declared time open for public comment on any item not on the agenda. There was no one who wished to speak.

Vice Chairperson Beall arrived.

3. APPROVAL OF MINUTES:

3.1. Approval of February 23, 2024 Board Audit Committee Meeting Minutes.

Recommendation: Approve the minutes.

The Committee considered the attached minutes of the February 23, 2024 Committee meeting.

Public Comments:
None.

It was moved by Director Santos and seconded by Vice Chairperson Beall and unanimously carried that the minutes be approved.

4. REGULAR AGENDA:

4.1. Receive and Discuss the Management Response to the 2012 Safe, Clean Water and Natural Flood Protection Program's Close-out Performance Audit Recommendations and Provide Feedback to Staff.

Recommendation: A. Receive and discuss the Management Response to the 2012 Safe, Clean Water and Natural Flood Protection Program's (2012 Program) Close-out Performance Audit Recommendations; and
B. Provide feedback to staff as needed.

Luz Penilla reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 2.

Luz Penilla, Colleen Rozillis, Carmen Narayanan, Jessica Collins were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- The Committee confirmed staff were highly engaged in identifying process improvements with Moss Adams.
- The Committee confirmed that 5,000 are enrolled in receiving property tax exemptions and outreach is done through the library, newspapers, county senior programs, online ads, and phone calls.
- Vice Chairperson Beall expressed interest in confirming how many people could be enrolled in receiving tax exemptions who are 65 years or older, own a home, and meet the low-income threshold; and what other systems are available for increased enrollment; and the Committee noted support for the potential of a statistical analysis.
- The Committee confirmed that Key Performance Indicators (KPIs) are a great way to communicate progress to the community, but most noted were activity/workload based or money spent instead of outcome based which is a best practice.

- The Committee confirmed that staff is continuing to work on incorporating lessons learned, and have put processes in place to capture and implement these lessons for Capital project delivery.
- The Committee confirmed a report back from staff confirming the successes, trends, and follow up actions to lessons learned.
- The Committee expressed interest in examples of conflict of interest, confirmed no identified conflict of interest issues during audit period; and the potential for an extension of the conflict-of-interest policy to the Independent Monitoring Committee.

4.2. Discuss the Results of the Board Audit Committee's (BAC) Annual Self-Evaluation for Calendar Year (CY) 2023.

Recommendation: Discuss the results of the BAC's 2023 Annual Self-Evaluation for CY 2023.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo.

George Skiles, Carlos Orellana, and Darin Taylor were available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- Vice Chairperson Beall expressed interest in increasing follow up discussions on audits; and the Committee noted the importance of the benefits of report outs on audits for measurements; risk reduction, and to address financial or staffing impediments.
- The Committee noted that the CAE follow up has changed with Board directed audits; and the CAE is currently engaged in following up and analyzing the outcomes on 4 Board directed audits.
- The Committee noted that the BAC has a less active role with Management directed audits and the potential of possible changes to the BAC Charter.

4.3. Receive and Discuss Report from the Independent Chief Audit Executive (CAE), Sjoberg Evashenk Consulting Regarding Their Performance in Calendar Year (CY) 2023, and Evaluate Performance of CAE.

Recommendation: A. Receive and discuss report from the independent CAE, Sjoberg Evashenk Consulting, regarding their performance in CY 2023; and
B. Evaluate the performance of the CAE.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

George Skiles and Darin Taylor were available to answer questions.

Public Comments:

None.

The Committee received the information, took no formal action, and noted the following:

- The Committee confirmed the BAC and Valley Water improve at their roles every year per the net benefits of the CAE's audit work and follow up practices, and staff's implementation of the audit recommendations.

4.4. Discuss Process and Scope of 2024 Annual Audit Training from Chief Audit Executive.

Recommendation: Discuss process and scope of 2024 Annual Audit Training from Chief Audit Executive.

George Skiles reviewed the information on this item, per the attached Committee Agenda Memo.

George Skiles was available to answer questions.

Public Comments:

None.

The Committee received the information, took no formal action, and noted the following:

- The Committee noted support for the CAE's recommendation for audit standards as a training topic.
- Vice Chairperson Beall expressed interest in audit best practices from the state/country and potential of inclusion of AI with audits for comparing and analyzing data.
- The Committee expressed support of inviting the other Board members to the audit training to increase audit education.

4.5. Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed.

Recommendation: A. Discuss proposed updates to the Board Audit Committee Audit Charter; and
B. Provide further direction as needed.

George Skiles for Brian Hopper reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 2.

George Skiles was available to answer questions.

Public Comments:
None.

The Committee received the information and noted the following:

- The Committee noted that changes can be made to the Board Audit Charter as needed at any time.
- Vice Chairperson Beall requested a statement on Valley Water's financial obligations with JPAs for the current and future annual operating and capital budgets and noted this was not included in the BAC Charter.

Chairperson Keegan moved the agenda to Item 4.6.

- 4.6. Discuss Joint Power Authority (JPA) Audits to Review at the April 2024 Board Audit Committee (BAC) meeting.

Recommendation: Discuss JPA audits to review at the April 2024 BAC meeting.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo.

Director Santos left the meeting and did not return.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee received the information, took no formal action, and noted the following:

- The Committee noted interest in risk and financial exposure, the importance of a meaningful financial analysis of the JPAs and adequate auditors.
- Vice Chairperson Beall noted interest in reviewing financial audit reports related to contracts with outside agencies.
- The Committee confirmed support of reviewing all 7 of the JPAs' audit details at the April 2024 meeting.

Chairperson Keegan returned the agenda to Item 4.5.

- 4.5. Discuss Proposed Updates to the Board Audit Committee Audit Charter and Provide Further Direction as Needed.

Recommendation: A. Discuss proposed updates to the Board Audit Committee Audit Charter; and
B. Provide further direction as needed.

The Committee noted support of the proposed BAC Charter Amendments and

by consensus directed for this item without official action to be considered by the full Board at the May 14, 2024 meeting.

Chairperson Keegan moved the agenda to Item 4.7.

4.7. Review and Discuss the 2024 Board Audit Committee (BAC) Work Plan.

Recommendation: Review and discuss topics of interest raised at prior BAC meetings and approve any necessary adjustments to the 2024 BAC Work Plan.

Darin Taylor reviewed the information on this item, per the attached Committee Agenda Memo, and per the information contained in Attachment 1.

Darin Taylor was available to answer questions.

Public Comments:
None.

The Committee noted the information and took no formal action and confirmed the April 17, 2024 meeting would be rescheduled.

5. CLERK REVIEW AND CLARIFICATION OF COMMITTEE REQUESTS:

This is an opportunity for the Clerk to review and obtain clarification on any formally moved, seconded, and approved requests and recommendations made by the Committee during the meeting.

None.

6. ADJOURN:

6.1. Adjourn to Regular Meeting at 1:00 p.m. on April 17, 2024.

Chairperson Keegan adjourned the meeting at 3:40 p.m., to the subsequently rescheduled special meeting at 11:00 a.m. on April 12, 2024.

Date approved: April 12, 2024

Nicole Merritt
Assistant Deputy Clerk II